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ABSTRACT

New Mexico has a great sense of pride in its school funding formula as originally conceived. Over time, however, an increasingly politicized atmosphere led to changes in the formula. This paper incorporates input from school administrators and state policy makers to identify a variety of issues influencing the current status of school finance in New Mexico. Data were collected through face-to-face and telephone interviews with school district superintendents, school district financial officers, and members of New Mexico state and regional associations for district administrators and financial officers. The paper provides an overview of the state's financial environment during fiscal years 1996 and 1997, which were characterized by increasing public demand for accountability and uncertainty about federal funding. The paper also describes the funding-formula controversy, including revisions for costs associated with urban high-density environments and incremental costs associated with hiring educated and experienced teachers. A more critical issue for district administrators in New Mexico, aside from the funding-formula debate, is how to provide all students with a quality education in light of limited resources. (LMI)

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New Mexico's Current School Finance Status

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A paper to be presented

at the American Education Finance Association Annual Meeting

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Introduction

This paper incorporates input from school administrators and state policy makers to identify a variety of issues influencing the current status of school finance in New Mexico. While a current extensive study of the New Mexico funding formula is a dominant concern among school administrators and state policy makers, a variety of other issues were also considered to be important.

Methodology

In preparation for this roundtable session in-person and phone interviews were conducted with school district superintendents, school district financial officers, and members of New Mexico state and regional associations for school district administrators and financial officers. Discussions focused on the following questions:

1. What in your opinion are the current issues in educational finance at the local level, at the regional level, and at the state level?
2. What current issues in educational finance are resulting from changes in federal funding initiatives?
3. What is your prognosis for the current study of the New Mexico funding formula being conducted by Jordan and Associates?

The cooperation of participants is gratefully acknowledged.

In addition, recent meetings of the Southwestern New Mexico Education Council (SWEC), New Mexico School Superintendent's Association (NMSSA), and the New Mexico Public School Funding Formula Task Force (Formula Task Force, hereafter) were attended. At the NMSSA meeting, Dr. J. P. Garcia, Director of the State of New Mexico Legislative Education Study Committee, and Dr. A. D. Morgan, New Mexico's Superintendent of Public Instruction, made presentations regarding the recent legislative session and its impact. At the NMSSA and Formula Task Force meetings, Representative Danice Picraux, Chairperson of the Formula Task Force presented a summary of activities of the task force has taken and discussed future plans. Dr. K. F. Jordan, Jordan and Associates, primary contractor to the Formula Task Force, presented the funding formula study work plan recently approved.

A variety of materials related to recent legislation and federal funding prepared by the State Department of Education (SDE) and the LESC were also reviewed.

FY '96 Financial Environment

For FY 1996, a revenue shortfall for the State was projected. As a result, all state agencies, with the exception of the Department of Corrections and Public Defenders Office, were requested to realize 2.5% in-year budget reductions. In the case of public schools, however, reductions were held to the level of 0.4% ($4.2M in state equalization guarantee and $1.5M in other public school reductions). The unit program value of $2113 was maintained despite these reductions through an increase in revenue credit due to projected increases in federal impact aid ($2.2) and by using funds still available after the 1995 membership count ($2.0) (Garcia, March 7, 1996). Capital projects for FY 1996 were also "frozen" as a result of the FY revenue shortfall projected.

FY '97 Financial Environment

While Governor Johnson signed the FY 1997 proposed state budget, he vetoed direct capital outlay appropriations ($57.8M) indicating that "It is incongruous to enact legislation in 1996 for new capital outlay projects when projects authorized in 1995 remain in legislative limbo pending authorization to distribute appropriations enacted a year ago." (Garcia, March 7, 1996). Public school capital projects were cut by $7.9M affecting 28 school districts.

The Governor also line-item vetoed $3.4M from the $2.8B state budget (Albuquerque Journal, March 5, 1996). SDE General Fund appropriations were cut $745K and $631.4K was cut from appropriations to the SDE resulting from separate bills for public school-related programs (Garcia, March 7, 1996).

Although the Governor had previously opposed salary increases for public employees, he retained an appropriation for two percent salary increases for personnel. In House Executive Message No. 86 Item 17, the Governor identified his concerns related to salary increases for public school personnel:

> I note with concern the compensation appropriation ...It should be noted that two formal assurances have been provided by the State Department of

Public Education. First, the funds contained in this appropriation for a two percent salary increase for public school employees will be utilized first and foremost to enhance the unit value of the state equalization guarantee formula. Second, student program needs will be adequately funded prior to addressing the issue of compensation increases.

The Governor called a special session that began March 20, 1996, "so lawmakers can take care of what needs to be done" (Albuquerque Journal, March 5, 1996). The scheduling of a special session creates additional uncertainty regarding the resolution of FY 96 financial issues and the fate of FY 97 appropriations.

Concerns about the multiple approaches to funding public school capital outlays have arisen, in part, due to the uncertainty about FY96 appropriations and the Governor's vetoes of FY 97 capital outlay projects funded by direct appropriation. While the Public School Capital Improvement Act funding is considered to be objective and equalizing, the Critical Capital Outlay funding and direct appropriation methods are viewed as susceptible to political intervention. In some cases, the political aspects of the situation may be preferred by school districts that enjoy the capacity to compete effectively in the political arena. In other cases, the availability of critical outlay fund allocations may allow school districts to let capital needs become critical rather than encouraging them to focus on long-term capital planning strategies.

Public Accountability

During the past year, a significant incident of fraud in a school district was uncovered and received intense media coverage. This incident resulted in the Senate Bill 181, a proposal to strengthen the financial reporting and auditing of public schools. While the bill was passed by the Legislature, it was vetoed by the Governor. Increased concern for public accountability in the schools is being experienced at the local and state levels.

Financial Uncertainty on the Federal Front

Public school administrators at all levels are concerned about the impact of federal funding cuts on their students. SDE projections of reductions in

federal flow through programs such as Title I, Title II, Title VII, Safe & Drug Free Schools, Goals 200, and other programs range from 17% to 25% (Morgan, February 28, 1996). In the case of Title VI, funding is discontinued entirely.

Reductions in federal funding for bilingual education will be especially burdensome in New Mexico. Superintendents and financial officers report that in some cases the federal funding reductions anticipated will result in the elimination of staff and in some cases entire programs. It is also difficult for school administrators to struggle to develop future budgets and work with their school boards on future planning when federal continuing resolutions are continued ad infinitum while Washington policy makers resolve their differences.

Funding Formula Controversy and Analysis

New Mexico has a great sense of pride in its funding formula as originally conceived. Traditionally in New Mexico, the control of educational finance was centrally held in the executive and legislative branches of government and New Mexico was one of the pioneers in development of its equalization funding formula for the public schools. However, over time the strong role of state government in educational finance also encouraged, perhaps necessitated, an increasingly political atmosphere surrounding public school funding. A highly politicized atmosphere in a sparsely populated state may result in cadres of "political haves" and "political have-nots". In this atmosphere, the distribution of supportive legislators is as critical as the allocation of any other scarce resource. As changes to the formula have been made over time, it becomes increasingly difficult to clearly differentiate the various forces influencing the formula's provisions.

For example, in 1987 the largest school district in the State suggested that a variety of costs associated with urban high-density environments were not supported by the existing formula. In 1989, without a positive recommendation for action from the Legislative Education Study Committee (LESC, hereafter), the Legislature implemented two density factors to be effective in 1991. These density factors generated additional program units for the largest district as well as two other districts located in communities that were within the federal

definition of urban areas. It appears that political interaction among legislators and educators were substantial influences in the inclusion of density funding in the formula. While the LESC recognized that additional funding related to large urban districts was needed, the Committee also suggested that it had not "received sufficient evidence to warrant the full implementation of this factor" (LESC, 1991, p. 6). An additional legislative revision created three levels of density funding which further increased the number of school districts eligible. Presently, five districts in the State are eligible for density funding and, with continued enrollment growth anticipated in the State, two more districts are approaching eligibility.

The perception that such revisions to the funding formula in recent years are more reflective of political realities in New Mexico than rational analysis of historical costs has increasingly led to dissatisfaction with the funding formula and discord among school administrators.

Last year a lawsuit was filed by nine school districts alleging that "they have been short-changed" by the existing public school funding formula (The Albuquerque Journal, January 24, 1995). Two additional school districts joined the suit later. The middle sized districts that filed the suit alleged that the K-12 formula fosters disparity rather than equity in the allocation of educational resources. These districts perceive that the inclusion of the density factor in the K-12 formula meets the particular needs of large and small districts to their detriment.

The training and experience factor (T & E Factor, hereafter) of the funding formula also has generated considerable controversy in New Mexico and has been related to the concerns expressed by the school districts that have been party to the lawsuit. This factor was designed to recognize the incremental costs of hiring educated and experienced teachers. Under the formula, each school district was able to recognize the composition of the district's staffing as it actually existed by calculating its own training and experience weighting factor according to a legislatively determined schedule. The T & E Factor is governed by a specific schedule of additional academic credit and longevity measures for

instructional staff and the district level calculations of the factor are subject to audit by the State Department of Education. Despite these efforts to achieve consistency among the districts, 1990 audits of the district calculations suggested that inconsistent interpretation of the legislative intent had occurred to the benefit of some, but not all districts. The twelve districts found to have benefitted were allowed to retain funding through waivers during a phase out period to avoid immediate funding reductions. The funding of the waivers to the twelve districts was accomplished through a special appropriation so that reduced funding in the other districts would not occur. Despite this, considerable controversy was created during the 1993 Legislative Session on the topic (Morgan, July 21, 1994). The phase out of waivers previously scheduled to end with the 1997-1998 budget year has been extended. The T & E Factor is a multiplier in the formula and generates large numbers of additional program units for a small number of school districts.

The K-12 funding formula is currently the subject of extensive study by Jordan and Associates, external consultants, through a joint effort of the Legislative Finance Committee (LFC, hereafter), LESC, and SDE and under the auspices of the Formula Task Force. The Formula Task Force is comprised of lawmakers, school district superintendents, members of the public sector and representatives from the Governor's Office and the State Board of Education. Some school administrators perceive that the creation of the Formula Task Force and the extensive nature of the study is directly related to the lawsuit filed. Others deny that there is any relationship.

Without resolving the motivation behind the present study of the K-12 funding formula, it is clear that this is an important effort. Traditionally, more limited study of the formula factors have been conducted within the responsibilities of the LESC often with the support of outside consultants. The conduct of the present study under the joint auspices of the LFC, LESC, and SDE suggests to some that the study will not only be more extensive than the majority of prior analysis, but also creates an enhanced atmosphere of objectivity and independence in the analysis. It is clear that the legislature is also

supportive of the efforts presently underway. While some proposals were made to the Legislative session related to revision of the K-12 funding formula none were passed on the basis that the results of the Formula Task Force study and recommendations are needed prior to additional action on the current formula.

In February, 1996, the State's Motion to Dismiss was granted by District Judge Richard A. Parsons much to the disappointment of the 11 school district Plaintiffs. At the present time, the school districts involved in the suit are considering alternative courses of future action.

Whatever the relationship of the lawsuit and Formula Task Force Study may be, it is clear that a lawsuit about educational funding is considered both hazardous and ill-advised by some. The potential hazard of "judicial meddling" in educational finance is considered to far outweigh any possible benefits that may be derived.

Adequacy & Excellence

While the study of the funding formula is a dominant issue in New Mexico school finance at the present time, the financial challenges faced by school districts as they attempt to provide an adequate and excellent education for the State's children with limited resources is an even more critical issue for New Mexico school administrators. At the regional level, school districts work cooperatively to obtain external sources of funds in support of academic programs.

While technology and distance learning strategies are seen as means to facilitate the provision of educational services, New Mexico faces many challenges due to its geographical features and resource issues. Technology to train students for jobs of the future is viewed as a critical concern by school administrators. While the State has provided some supplemental resources for technology infusion in the schools, the level of funding that is available and the limited infrastructure in New Mexico represent significant challenges to progress.

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